Financial Statements of

SASKATCHEWAN VALLEY POTATO CORPORATION

Year ended December 31, 2004

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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the balance sheet of Saskatchewan Valley Potato Corporation as at December 31, 2004 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
January 28, 2005

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SASKATCHEWAN VALLEY POTATO CORPORATION

Balance Sheet

As at December 31

	2004	2003 (Restated Note 3)
ASSETS		
Current:		
Cash	$ 270,886	$ 72,561
Accounts and notes receivable (Note 4)	213,007	950,990
Inventory (Note 5)	4,721	4,721
Prepaid expenses	21,915	43,384
Mortgages maturing in the next year (Note 6)	450,000	-
	960,529	1,071,656
Mortgages receivable (Note 6)	470,000	450,000
Property, plant and equipment (Note 7)	56,111	79,500
	$ 1,486,640	$ 1,601,156
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current:		
Accounts payable and accrued liabilities	$ 18,929	$ 55,609
Advance from Investment Saskatchewan Inc. (Note 8)	-	1,166,641
	18,929	1,222,250
Shareholders' equity:		
Share capital (Note 9)	16,590,499	16,590,499
Deficit	(15,122,788)	(16,211,593)
	1,467,711	378,906
	$ 1,486,640	$ 1,601,156

(See accompanying notes)

On behalf of the Board:

Director

Director

SASKATCHEWAN VALLEY POTATO CORPORATION

Statement of Operations and Deficit

For the Year Ended December 31

	2004	2003 (Restated Note 3)
Sales	$ -	$ 886,463
Rental income	389,272	387,767
	389,272	1,274,230
Cost of sales	-	799,785
Gross margin	389,272	474,445
Operating expenses:		
Administration	50,433	79,055
Bad debt (recovery)	(6,881)	62,715
Interest	-	860
Professional fees	84,800	68,947
Property taxes and insurance	31,785	36,255
Repairs and maintenance	9,687	32,615
Salaries and benefits	108,064	154,503
Utilities	79,816	120,056
	357,704	555,006
Earnings (loss) from operations	31,568	(80,561)
Other income (expenses):		
Other income	91,062	98,830
Other expense	-	(47,000)
Gain on sale of property, plant and equipment	1,670,869	668,653
Amortization	(4,694)	(45,263)
	1,757,237	675,220
Net earnings	1,788,805	594,659
Deficit, beginning of year, as previously stated	(15,959,198)	(16,665,097)
Prior period adjustments (Note 3)	(252,395)	(141,155)
Deficit, beginning of year, restated	(16,211,593)	(16,806,252)
Dividends	(700,000)	-
Deficit, end of year	$ (15,122,788)	$ (16,211,593)

(See accompanying notes)

SASKATCHEWAN VALLEY POTATO CORPORATION

Statement of Cash Flows

For the Year Ended December 31

	2004	2003 (Restated Note 3)
Operating Activities		
Net earnings	$ 1,788,805	$ 594,659
Items not affecting cash from operations:		
Amortization	4,694	45,263
Gain on sale of property, plant and equipment	(1,670,869)	(668,653)
Change in non-cash operating working capital		
Accounts receivable	48,279	287,044
Inventory	-	679,376
Prepaid expenses	21,469	(10,124)
Accounts payable and accrued liabilities	(36,680)	(101,410)
Cash provided by operating activities	155,698	826,155
Investing Activities		
Proceeds on sale of property, plant and equipment	1,909,268	525,000
Cash provided by investing activities	1,909,268	525,000
Financing Activities		
Repayment to Investment Saskatchewan Inc.	(1,166,641)	(1,375,000)
Dividends paid	(700,000)	-
Cash used in financing activities	(1,866,641)	(1,375,000)
Net increase (decrease) in cash	198,325	(23,845)
Cash, beginning of year	72,561	96,406
Cash, end of year	$ 270,886	$ 72,561

(See accompanying notes)

SASKATCHEWAN VALLEY POTATO CORPORATION

Notes to Financial Statements

Year Ended December 31, 2004

1. Nature of business and basis of presentation

Saskatchewan Valley Potato Corporation ("SVPC") was incorporated on May 11, 2000 under the *Business Corporations Act of Saskatchewan* and commenced active operations on June 21, 2000. SVPC is a wholly-owned subsidiary of Investment Saskatchewan Inc., a Provincial Crown corporation. SVPC is not subject to Federal or provincial income taxes by virtue of this ownership. SVPC's accounts are included in the consolidated financial statements of Investment Saskatchewan Inc.

SVPC is primarily a seed potato storage company in the Lake Diefenbaker potato area.

In the previous year, SVPC completed a strategic exit from the seed potato industry. SVPC, under direction and support from its shareholder, will continue to operate its remaining potato industry assets until such time as a sale of SVPC's remaining assets can be consummated.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventory

Supplies inventory are valued at lower of cost and net realizable value.

(c) Property, plant and equipment

Property, plant and equipment are recorded at the lower of cost and net recoverable amount. Amortization is provided using the straight-line method and the following annual rates:

Asset	Rate
Storage sheds	40 years
Field equipment	5 – 10 years
Plant and office equipment	2 – 5 years

SVPC reviews and evaluates its property, plant and equipment for impairment when events or changes in economic and other circumstances indicate that the carrying value of such assets may not be recoverable. The net recoverable amount of property, plant and equipment is calculated by estimating its undiscounted future net cash flows together with its residual value. Future net cash flows are developed using assumptions that reflect SVPC's planned course of action for the asset given SVPC's best estimate of the most probable set of economic conditions. Inherent in these assumptions are significant risks and uncertainties. It is possible that changes in future economic conditions and the resulting impact on some or all of these assumptions may require a significant reduction in the carrying value of these assets.

2. Significant accounting policies (continued)

(d) Revenue recognition

Storage, handling and agronomic services revenue is recognized as services are provided.

(e) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and disclosed amounts for contingent liabilities. Significant items subject to such estimates and assumptions include the valuation allowances for accounts receivable. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

3. Prior period adjustments

In the previously issued 2003 financial statements, the Corporation had recognized storage rental income for the full period covered by certain rental agreements extending into the following year. In 2004, the Corporation corrected its accounting for these rental agreements by recognizing rental income in the period in which the rental services were provided. The comparative 2003 financial statements have been restated to reflect this correction of error. Also in 2004, the Corporation discovered that certain costs incurred in 2002 were incorrectly capitalized to inventory.

As a result, the deficit at January 1, 2003 has been increased by $141,155 comprised of an increase of $124,722 in cost of sales and a reduction of $16,433 in rental income pertaining to 2002. Net earnings for 2003 has been reduced by $111,240 comprised of a decrease of $235,962 in rental income and a decrease of $124,722 in cost of sales. The cumulative effect at the end of 2003 is an increase of $252,395 in the deficit and a decrease of $252,395 in accounts and notes receivable.

The corrections were accounted for retroactively with restatement of all prior periods reported. The effect of the corrections to the financial statements as at December 31, 2003 is outlined below as increase (decrease):

		2003
Balance sheet		
Accounts and notes receivable	$	(252,395)
Statement of Operations and Deficit		
Rental income		(235,962)
Cost of sales		(124,722)
Net earnings		(111,240)
Deficit, beginning of year		141,155
Statement of Cash Flows		
Change in non-cash operating working capital		
Accounts and notes receivable		235,962
Inventory		(124,722)

4. Accounts and notes receivable

	2004	2003 (Restated Note 3)
Accounts receivable	$ 333,423	$ 377,432
Notes receivable	-	700,000
Allowance - accounts receivable	(120,416)	(126,442)
	$ 213,007	$ 950,990

5. Inventory

	2004	2003
Supplies	$ 4,721	$ 4,721

6. Mortgages receivable

	2004	2003
Mortgage receivable - Agristar Produce (Sask) Ltd. (a)	$ 750,000	$ 750,000
Mortgage receivable - Island Holdings (b)	450,000	450,000
Mortgage receivable – Spudwyk Farms Ltd. (c)	470,000	-
Less: Allowance	(750,000)	(750,000)
	$ 920,000	$ 450,000
Mortgages maturing in the next year	450,000	-
	$ 470,000	$ 450,000

a) Mortgage Receivable - Agristar Produce (Sask) Ltd.

SVPC holds a $750,000 non-interest bearing mortgage from Agristar Produce (Sask) Ltd. that matures February 1, 2007. Due to the uncertainty of the collectability from the purchaser, the mortgage has been fully allowed for.

b) Mortgage Receivable - Island Holdings Ltd.

SVPC holds a $450,000 mortgage from Island Holdings Ltd. that matures December 29, 2005. The mortgage earns 6% annually, with interest received semi-annually.

c) Mortgage Receivable – Spudwyk Farms Ltd.

SVPC holds a $470,000 mortgage from Spudwyk Farms Ltd. that matures April 30, 2009. The mortgage earns 6% annually, with interest received semi-annually.

7. Property, plant and equipment

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Storage sheds	$ 3,113,643	$ 3,061,365	$ 52,278	$ 73,083
Field equipment	14,869	14,707	162	485
Plant and office equipment	46,732	43,061	3,671	5,932
	$ 3,175,244	$ 3,119,133	$ 56,111	$ 79,500

8. Advance from Investment Saskatchewan Inc.

SVPC entered into a credit facility with its shareholder, Investment Saskatchewan Inc., whereby SVPC has access to an operating line of credit of $3,000,000. The balance outstanding at December 31, 2004 was $nil (2003 - $1,166,641). The advance is payable on demand and is non-interest bearing. No further advances are expected in future years.

9. Share capital

	2004	2003
Authorized:		
Unlimited number of Class A voting common Shares		
Issued:		
100 Class A shares	$ 16,590,499	$ 16,590,499

10. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SVPC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions with related parties, which are not separately disclosed elsewhere in the financial statements, are as follows:

	2004	2003
Accounts payable	$ 6,242	$ 14,512
Operating expenses	78,291	136,333

10. Related party transactions (continued)

In addition, SVPC pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

During the year, Crown Investments Corporation of Saskatchewan and Investment Saskatchewan Inc. provided management services to SVPC without charge.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

11. Financial instruments

a) Fair values

The fair value of cash, accounts and notes receivable, and accounts payable and accrued liabilities approximate the carrying amount due to the short period to maturity. The fair value of mortgages receivable has not been estimated as these mortgages are not subject to terms and conditions that would otherwise be available.

b) Credit risk

SVPC is exposed to credit risk from the potential default of customers. SVPC mitigates this risk through offset provisions contained in storage and handling services agreements and sales contracts.

12. Contingencies

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2004 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's financial position or results of operations.

13. Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation.